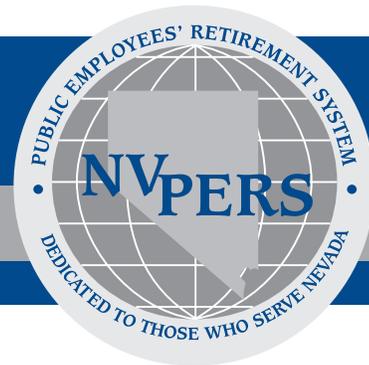


# RETIREE NEWS

Winter 2014



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## PERS' Investment Update

PERS has continued to take advantage of the extended stock bull market to generate positive returns. In fact, PERS' five year return as of December 31st is 12.1%, which ranks as one of the best five year periods in the history of the fund.

While we are always happy to report good news, we are also aware of the inevitable volatility of financial markets. Simply put, stocks and other risk assets do not move higher in a straight line forever. It is not unusual for markets to take a breather, or even pull back, after extended periods of gains. After five of the strongest years in the history of the fund, it wouldn't be surprising if we experienced a period of bumpier results. The Retirement Board has taken a number of steps to help protect the fund's assets during less favorable market environments.

While the fund may experience negative returns in bear markets, PERS maintains a large

allocation to high quality U.S. bonds to help control volatility. U.S. treasury bonds have historically been a safe haven during periods of market stress and our exposure to these assets should help offset stock market weakness should it arise. Based on available industry data, PERS has an estimated 15% more in U.S. treasury bonds than the median large public pension plan.

The Retirement Board has also recently taken additional steps to reduce risk in the fund. International bonds were eliminated from the portfolio and those assets were transitioned into less volatile U.S. bonds. And in the spirit of PERS' disciplined approach of buying assets low and selling them high, the Board opted to sell nearly \$1 billion in stocks near all time highs at the end of 2013 and buy less volatile (and recently underperforming) U.S. bonds.

## PERS' Funding Facts

- **The System is sustainable in the short-term and in the long-term.**
- **There is no funding crisis at PERS.**

The PERS' trust currently holds \$31 billion in assets to support its ability to pay retirement benefits, and the actuarial funding mechanism absorbs current and future pension costs in today's contribution rate. The System's finances are measured, reviewed and audited on an annual basis and comply with all applicable accounting requirements and disclosures.

The most significant portion of PERS' unfunded liability is being retired over the course of the next 23 years in a prudent and methodical manner that ensures intergenerational equity among current and future employees. PERS is well-positioned to pay retirement benefits in the short and long-term through the current financing mechanism.

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## Independent Study of PERS Reveals Best In Class

- **The contribution rate is shared equally between the employer and employee.**

All PERS members share one-half the cost of financing their retirement. The contribution rate is set based on valuations conducted by independent actuaries so that each employee, along with his employer, prefunds his retirement benefit throughout his entire career. Each employee shares equally with his employer in any contribution rate increases or decreases that the independent actuary determines is necessary to prefund the benefit.

- **PERS' retirement benefits are reasonable.**

Nevada law states that part of the mission of PERS is to attract and retain quality public employees by providing a reasonable base income in retirement, and the facts confirm that PERS is accomplishing that mission in a very prudent, cost effective manner. The average teacher or state employee retires at age 64 and receives a monthly PERS' benefit of \$2,603.00, without a Social Security benefit.

The Retirement Board of the Public Employees' Retirement System of Nevada (NVPERS) commissioned Aon Hewitt to conduct an independent review of certain plan practices, statistics and policies of the Public Employees' Retirement System (PERS), the Legislators' Retirement System (LRS), and the Judicial Retirement System (JRS).

The scope of the review included:

1. A comparison of many features of NVPERS to a large group of other public retirement systems (126 other retirement systems were included)
2. Calculations of liabilities using discount rates
3. Projections of contribution rates and funding levels over the next 30 years
4. A review and opinion on the NVPERS funding policy and recommendations for modifications, if any are warranted.

Results of the Study showed NVPERS is typical of large public retirement systems in that there are:

- Plan provisions regarding eligibility
- Benefit levels are not overly generous
- Funding levels and discount rates are at median

Some highlights from the study include:

**"NVPERS' funded status, retirement eligibility, actuarial funding method, and discount rate are similar to the averages and medians of other large systems, showing that NVPERS is akin to most other large systems in many ways."**

"NVPERS, however, is quite different and more conservative in other material ways."

1. One unique aspect of NVPERS is the equal sharing of contributions between members and employers.
2. Another unique aspect is that

actuarial gains and losses are automatically reflected biennially in future contribution amounts, rather than after statutory enactments or negotiations occur that often delay contribution rate changes.

3. A third point that makes NVPERS unique is the Board's recent decision to shorten amortization periods from 30 years to 20, which represents a level of conservatism that is not widely seen.
4. **"Finally, the actuarial funding policy, including its requirements regarding audits, benefit improvements, funding methodology, and other details, represents a comprehensive, thoughtful and appropriate model that constitutes a best-in-class policy that many other systems do not have."**

To expand on the Funding Policy of PERS that was adopted by the Retirement Board in September 2005 and last modified in May 2012, it is sound and represents best practices. The actuarial cost method, asset smoothing method, amortization schedule, actuarial assumptions and other provisions of the Policy are prudent and somewhat conservative measures that are intended to protect both the members of Nevada's plans and the taxpayers of the State from inappropriate volatility or cost increases.

Source: AON Hewitt 2013 Independent Comparable Study of Nevada PERS

If you would like more information, the entire comparative study is posted on our website: [www.nvpers.org](http://www.nvpers.org) under Messages from the Executive Officer.

# Nevada Supreme Court Issues Order Regarding Public Records Request for Retiree Records

The Nevada Public Employees' Retirement System (System) sent notice at the end of January 2014 to inform retirees of a recent Nevada Supreme Court decision that impacts the Retirement System's long-standing policy and interpretation of NRS 286.110 (3) and NRS 286.117 regarding the confidentiality of individual member and retiree records. The Nevada Supreme Court Order requires the System to release a payment register that includes the names of all retirees along with monthly benefit amounts.

On January 19, 2011, the Reno Gazette Journal (RGJ) requested that the System provide information regarding retirees of the System. Specifically, the RGJ requested the names of all individuals who are collecting pensions, the name of their employers, their salaries, their hire and retirement dates, and the amount of their pension payment. The System, through its deputy attorney general, responded to RGJ's request asserting that the records regarding individual retirees of the System are not public record. This response was in keeping with the System's consistent and long-term interpretation of the Retirement Act that member and retiree files are declared confidential by law citing NRS 286.110 (3) and NRS 286.117.

## **NRS 286.110(3) states:**

The official correspondence and records, other than the files of individual

members or retired employees, and, except as otherwise provided in NRS 241.035, the minutes, audio recordings, transcripts and books of the System are public records and are available for public inspection. A copy of the minutes or audio recordings must be made available to a member of the public upon request at no charge pursuant to NRS 241.035.

## **NRS 286.117 specifies limitations on review and copying of records as follows:**

All records maintained for a member, retired employee or beneficiary may be reviewed and copied only by the System, the member, the member's public employer or spouse, or the retired employee or the retired employee's spouse, or pursuant to a court order, or by a beneficiary after the death of the employee on whose account benefits are received. Any member, retired employee or beneficiary may submit a written waiver to the System authorizing the representative of the member, retired employee or beneficiary to review or copy all such records.

The RGJ filed a petition May 27, 2011 in district court and on December 12, 2011 the District Court ordered the System to produce a report to the RGJ concerning each retired employee currently receiving a benefit containing the name of the retired employee, their employer, salary, hire and retirement

dates, and the amount of their benefit payment. The order also found residence addresses, social security numbers, and all other information contained in the files of individual System members and retired employees to be confidential and not subject to disclosure. The System appealed the District Court's order to the Nevada Supreme Court in January 2012.

On November 14, 2013, the Supreme Court ruled that the individual files of members and retirees are confidential. The Court also ruled that "[w]here information is contained in a medium separate from the individuals' files, including in administrative reports generated from data contained in individuals' files, such reports or other media is not confidential merely because the same information is also contained in individuals' files."

The System does not have an existing report containing all items requested by the RGJ in its entirety. However, the System will provide a monthly payment register pursuant to the Supreme Court Order. This register contains names and monthly benefit amounts. The System is in the process of submitting other data to the District Court for an in camera review to determine whether it is confidential or a public record pursuant to the Supreme Court Order.

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## Retired Public Safety Officer Tax Exclusion

The Pension Protection Act, Section 845 allows for an annual tax exclusion up to \$3000 for public safety officers who have a deduction from their PERS

check for medical, dental, vision, and/or long-term care insurance. The exemption applies to deductions for the officer, the officer's spouse and dependents.

Payments for health care or long-term care insurance must be taken as a deduction from the retired employee's

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PERS check and paid directly to a participating insurer.

The qualifications for this benefit were enacted by congress and are available to PERS retirees who served as a public safety officer with a public agency in an official capacity, with or without compensation, as a law enforcement officer, as a firefighter, as a chaplain for a police or fire department, or as a member of a rescue squad or ambulance crew. At the time of retirement, the public safety officer must have been fully eligible to retire based on service credit and age or retired under a disability retirement with PERS.

In order to participate in the program, the health plan or insurance carrier must enroll in the program by completing and returning the Public Safety Officers Health Plan or Insurance Carrier Agreement to PERS. It is the responsibility of each individual health plan or insurance carrier to determine if they meet the qualifications to participate in this program. Your health plan or insurance carrier may complete one election form which will apply to all participants in the group or plan who qualify for the tax exclusion. PERS can verify if a health plan or insurance carrier is currently participating in the program.

If you meet the conditions outlined in Section 845, complete the Public Safety Officers Tax Exclusion Agreement and submit it to PERS. The form can be located on our website: [www.nvpers.org](http://www.nvpers.org) under the Benefit Recipient tab, Recipient forms, and Public Safety Officer Tax Exclusion. The 2013 total amount in health insurance premiums deducted from your benefit check will be listed on your December statement or you may login to your secure account on our website and 'view' your 1099R which will have the amount listed in the box labeled Medical. The amount deducted for medical was NOT listed on your printed 1099R that you received in the mail.

This publication is intended to provide general information. If there is any conflict between this information and Nevada law or PERS' policies, the laws and policies will supersede this information. *Retiree News* is a quarterly newsletter for retirees and benefit recipients of the Public Employees' Retirement System of Nevada. Comments or suggestions may be directed to: PERS, Newsletter, 693 W. Nye Lane, Carson City, Nevada 89703.